

Non-Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2010 (Nine Months Ended December 31, 2009)

February 12, 2010

Company name: T-Gaia Corp.

Listing: Tokyo Stock Exchange, First Section

Stock code: 3738 URL: <http://www.t-gaia.co.jp/>

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Scheduled commencement date of dividend payout: —

(All amounts are rounded down to the nearest million yen)

1. Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2010 (April 1, 2009 – December 31, 2009)

(1) Results of operations (nine months)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3Q FY 2010	408,915	48.5	10,746	51.7	10,580	58.0	5,734	71.3
3Q FY 2009	275,294	—	7,083	—	6,696	—	3,348	—

	Net income per share		Diluted net income per share	
	Yen		Yen	
3Q FY 2010	11,191.75		11,185.03	
3Q FY 2009	8,810.69		8,803.74	

Note: Telepark Corporation has merged with MS Communications Co., Ltd. as of October 1, 2008 and changed the company name to T-Gaia Corporation. Therefore, the financial results for the period under review reflect the sum of the results of Telepark Corporation for the six months to September 2008 and the results of T-Gaia Corporation for the three months to December 2008.

(2) Financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
3Q FY 2010	133,996		28,645		21.4		55,907.16	
FY 2009	148,420		25,946		17.5		50,640.54	

Reference: Shareholders' equity (million yen): 3Q FY 2010: 28,645 FY 2009: 25,946

2. Dividends

	Dividends per share				
	1Q-end	Interim	3Q-end	Yearend	Annual
	Yen				
FY 2009	—	2,500.00	—	3,000.00	5,500.00
FY 2010	—	3,000.00	—		
FY 2010 (forecasts)				2,500.00	5,500.00

Note: Revisions to the dividend forecast in the current quarter: None

Note: The fiscal yearend dividend for the fiscal year ended March 31, 2009 included a regular dividend of ¥2,500 and merger commemorative dividend of ¥500.

3. Forecasts for the Fiscal Year Ending March 31, 2010 (April 1, 2009 – March 31, 2010)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	567,000	31.5	15,000	21.0	14,750	23.3	8,000	25.7	15,613.73

Note: Revisions to the financial forecast in the current quarter: None

4. Others

- (1) Application of simplified accounting procedures and special accounting procedures to the preparation of quarterly financial statements: Yes
- (2) Changes in accounting principles, procedures and method of presentation pertaining to preparation of the quarterly financial statements (recorded as changes to significant items forming the basis for the creation of the financial statements).
 - 1) Changes caused by revision of accounting standards: None
 - 2) Other changes: None
- (3) Number of shares issued and outstanding (shares of common stock)
 - 1) Number of shares outstanding (including treasury stock) at end of period:

3Q FY 2010:	512,371 shares
FY 2009:	512,367 shares
 - 2) Number of treasury stock at end of period:

3Q FY 2010:	—
FY 2009:	—
 - 3) Average number of shares outstanding during the period:

3Q FY 2010:	512,368 shares
3Q FY 2009:	380,026 shares

* Cautionary statement with respect to forward-looking statements

The forward-looking statements such as the forecasts for the business performance described in this document are based on the judgments made by the Company in accordance with information currently available that is rational. For this reason, actual results may differ from these forecasts due to a number of factors, including but not limited to the operating environment. For the assumptions for the forecast of the business performance, please refer to “3. Qualitative Information Concerning Business Performance Forecasts,” in “Qualitative Information and Financial Statements” on page 4.

Qualitative Information and Financial Statements

1. Qualitative Information Concerning Operating Results

The Japanese economy in the period under review (April – December 2009) saw rising exports centered on Asia and partially rebounding production continue on a recovery trend, thanks to a global economic upturn supported by growing emerging economies, inventory adjustment focused on large corporations, and governmental economic stimulus measures showing effects. However, operating conditions remained difficult amid continued weak corporate earnings and job insecurity as well as growing deflationary pressures.

In this environment, compared with a year earlier, results improved thanks to the scale increase brought by the management integration (Note 1). In main business line Mobile Telecommunications, data communications cards and smart phone sales partly picked up. However, continued from last year, sales in unit terms lacked vigor as installment sales resulted in a longer repurchase cycle while consumer sentiment remained muted under the impact of the recession. Nonetheless, operating income increased, thanks to growth in maintenance services, enhanced management efficiency, and management integration effects. In Network Communications Business, where sales of FTTH service sales increased but MYLINE Carrier Selection Service acquisition languished in a saturated market, the management integration contributed to higher operating income. In Prepaid Settlement Services Business and Other Business (Note 2), sales revenue benefited from expanded sales channels to the major convenience store operators since last year as well as from the management integration.

As a result, sales revenue for the nine-month period under review increased 48.5 percent on the year to 408,915 million yen and operating income grew 51.7 percent to 10,746 million yen. Ordinary income rose 58.0 percent to 10,580 million yen, reflecting the absence of 259 million yen in business integration costs with MS Communications Co., Ltd. charged in the corresponding period a year before. Similarly, while last year 247 million yen in office relocation costs were provisioned and a valuation loss of 165 million yen was charged for the cancellation of subsidiary equity, no such costs emerged in the nine-month period under review, lifting net income for the period by 71.3 percent on the year to 5,734 million yen.

(Note 1)

On October 1, 2008, the Company implemented an integration of management with Telepark Corporation and MS Communications Co., Ltd. and changed its name to T-Gaia Corporation with the objective of expanding operations and increasing enterprise value. Therefore, in the year-on-year comparison (April – December 2008) for the period under review, numbers reflect the sum of the results of Telepark Corporation for the six months to September 2008 and the results of T-Gaia Corporation for the three months to December 2008.

(Note 2)

During the period under review, there was a change of name in business segments. Since last fiscal year, settlement services for PIN (Personal Identification Number)-based merchandise sales systems and prepaid mobile phones were grouped as Settlement Services Business and Other Business, for which a new segment was established. To indicate more clearly the business content, the name was altered to Prepaid Settlement Services Business and Other Business. This change affects only the name and not the scope of the segment.

(Mobile Telecommunications Business)

During the nine-month period under review, dealer and corporate user sales and marketing efforts were reinforced, and sales channels for shops were optimized, among other measures. However, amid users feeling satisfied with handsets' increasingly widespread high-performance features and stalling personal consumption in the wake of the recession, the repurchase cycle for handsets has been lengthening. As a result, although the handset market saw sales in unit terms fluctuate at a low level, sales of handsets at the Company climbed 33.2 percent on the year to 3.63 million units, partly due also to the business integration. Moreover, with handset installment sales and the introduction of high-functionality handsets lifting selling prices, sales revenue climbed 47.8 percent on the year to 353,247 million yen. Furthermore, increased maintenance services, enhanced management efficiency, and effects from the management integration raised operating income to 7,948 million yen, marking an increase of 55.5 percent compared with a year earlier.

(Network Communications Business)

In the nine-month period under review, sales of FTTH services increased thanks to efforts being made at acquiring new subscribers through improved sales arrangements centered on leading dealers and reinforced proposal-based marketing in direct sales. New acquisitions in MYLINE Carrier Selection Service, however, languished due to the market being saturated. Nonetheless, thanks to expanded operations on the back of the business integration, sales revenue increased 53.4 percent on the year to 15,694 million yen and operating income gained 52.8 percent to 2,368 million yen.

(Prepaid Settlement Services Business and Other Business)

In the nine-month period under review, revenue at settlement services for PIN (Personal Identification Number)-based merchandise sales systems increased by 53.8 percent on the year to 39,973 million yen. After last year's expansion in sales channels surrounding the leading convenience store operators, this result was due to increased product recognition at convenience stores using the system, as well as contributions from business integration effects. However, due to the lower handling volume of prepaid mobile phone handsets and the cost of system investments, operating income came to 428 million yen, an increase of 1.5 percent on the year.

2. Qualitative Information Concerning Financial Position

(Assets)

Current assets contracted 10.1 percent since the end of the prior fiscal year to 114,136 million yen. This was mainly due to cash and deposits, accounts receivable-trade, and accounts receivable, which declined 1,349 million yen, 8,829 million yen, and 2,850 million yen, respectively.

Fixed assets fell 7.6 percent compared with the end of the prior fiscal year to 19,859 million yen. This was mainly due to goodwill and leasehold deposits, which declined 1,144 million yen and 110 million yen, respectively.

As a result, compared with the end of the prior fiscal year, total assets fell 9.7 percent to 133,996 million yen.

(Liabilities)

Current liabilities fell 8.0 percent compared with the end of the prior fiscal year to 97,859 million yen. This was mainly due to declines in accounts payable-trade and accounts payable, which decreased by 6,475 million yen and 2,398 million yen, respectively.

Long-term liabilities fell 53.6 percent compared with the end of the prior fiscal year to 7,491 million yen, reflecting a reduction in long-term loans payable by 8,496 million yen.

Total liabilities fell 14.0 percent compared with the end of the prior fiscal year to 105,350 million yen.

(Net assets)

Net assets increased 10.4 percent compared with the end of the prior fiscal year to 28,645 million yen.

(Cash flows)

Cash flows from operating activities totaled 6,587 million yen (31.5 percent lower than the same period in the previous year).

Main factors were 10,531 million yen in income before income taxes, an 8,829 million yen decline in trade receivables, a 6,475 million yen fall in trade payables, and 7,785 million yen in income tax payments.

Cash flows used in investing activities totaled 672 million yen (59.3 percent lower than the same period in the previous year).

This was mainly due to 753 million yen in payments for purchase of property, plant, and equipment, 221 million yen in payments for purchase of software, and 439 million yen in income from refunded leasehold deposits.

Cash flows used in financing activities totaled 7,264 million yen (41.5 percent higher than the same period in the previous year).

Main factors were 4,496 million yen in repayment of long-term loans and 3,068 million yen in cash dividends paid.

As a result, net cash and cash equivalents at the end of the third quarter accounting period under review totaled 1,341 million yen, which was 1,349 million yen less than at the end of the previous fiscal year.

3. Qualitative Information Concerning Business Performance Forecast

Full-year estimate released on October 22, 2009, remain unchanged.

Nine months sales represent 72.1 percent of the full-year estimate released on October 22, 2009, with percentages for operating income, ordinary income, and net income at 71.6 percent, 71.7 percent, and 71.7 percent, respectively.

4. Other Information

- (1) Application of simplified accounting procedures and special accounting procedures to the preparation of quarterly financial statements
Only significant taxable and deductible items were considered in the calculation of changes in the amounts of income tax payments.
- (2) Changes in accounting principles, procedures, and method of presentation pertaining to preparation of the quarterly financial statements
Not applicable.

5. Quarterly Financial Statements

(1) Quarterly Balance Sheets

(Millions of yen)

	3Q FY 2010 (As of December 31, 2009)	FY 2009 Summary (As of March 31, 2009)
Assets		
Current assets		
Cash and deposits	1,341	2,690
Accounts receivable-trade	60,603	69,433
Products	35,284	34,450
Inventories	62	71
Other accounts receivable	15,267	18,117
Other current assets	1,611	2,230
Allowance for doubtful accounts	(36)	(56)
Total current assets	114,136	126,938
Fixed assets		
Tangible fixed assets	3,058	3,348
Intangible assets		
Goodwill	9,208	10,353
Others	817	800
Total intangible assets	10,025	11,153
Investments and other assets		
Investments in affiliates	86	170
Leasehold deposits	4,337	4,447
Others	2,417	2,430
Allowance for doubtful accounts	(65)	(67)
Total investments and other assets	6,775	6,980
Total fixed assets	19,859	21,482
Total assets	133,996	148,420
Liabilities		
Current liabilities		
Accounts payable-trade	53,139	59,615
Short-term loans payable	14,800	14,500
Long-term loans payable within one year	7,328	3,328
Other accounts payable	20,087	22,485
Income taxes payable	537	4,227
Deposits received	667	208
Allowance for bonus	693	1,571
Allowance	93	104
Other current liabilities	512	272
Total current liabilities	97,859	106,313
Long-term liabilities		
Long-term loans payable	6,176	14,672
Allowance for employees' retirement benefits	501	651
Others	813	836
Total long-term liabilities	7,491	16,160
Total liabilities	105,350	122,474

(Millions of yen)

	3Q FY 2010 (As of December 31, 2009)	FY 2009 Summary (As of March 31, 2009)
Net Assets		
Shareholders' equity		
Capital stock	3,098	3,098
Capital surplus	5,585	5,584
Retained earnings	19,889	17,228
Total shareholders' equity	28,572	25,912
Valuation and translation adjustments		
Net unrealized holding gain on securities	72	34
Total valuation and translation adjustments	72	34
Total net assets	28,645	25,946
Total Liabilities and Net Assets	133,996	148,420

(2) Statements of Income
(Nine-month Period)

(Millions of yen)

	3Q FY 2009 (from April 1, 2008 to December 31, 2008)	3Q FY 2010 (from April 1, 2009 to December 31, 2009)
Net Sales	275,294	408,915
Cost of Sales	244,696	363,664
Gross Profit	30,597	45,251
Selling, General and Administrative Expenses	23,513	34,505
Operating Income	7,083	10,746
Non-operating Income		
Interest income	6	5
Dividend income	1	3
Rent income	16	6
Insurance reimbursement	19	6
Compensation received	—	9
Others	17	22
Total non-operating income	61	54
Non-operating Expenses		
Interest expenses	164	203
Merger expenses	264	—
Others	19	16
Total non-operating expenses	449	220
Ordinary Income	6,696	10,580
Extraordinary Gains		
Reversal of allowance for doubtful accounts	57	4
Refund of prior-year consumption taxes, etc.	—	58
Gain from termination of employee retirement benefit plan	—	12
Gain on sales of fixed assets	3	2
Total extraordinary gains	61	77
Extraordinary Losses		
Provisioning for allowance for office relocation expenses	246	—
Loss on extinguishment of tie-in shares	165	—
Loss on revaluation of investment securities	57	—
Impairment losses	14	30
Loss on revaluation of shares in affiliates	—	83
Loss on removal of fixed assets	18	10
Loss on valuation of golf club memberships	2	—
Others	2	0
Total extraordinary losses	508	125
Income Before Income Taxes	6,249	10,531
Income Taxes – Current	2,667	4,135
Income Taxes – Deferred	233	661
Total Income Taxes	2,901	4,797

Net Income

3,348

5,734

(3) Statements of Cash Flows

(Millions of yen)

	3Q FY 2009 (from April 1, 2008 to December 31, 2008)	3Q FY 2010 (from April 1, 2009 to December 31, 2009)
Cash Flows from Operating Activities		
Income before income taxes	6,249	10,531
Depreciation	604	1,053
Amortization of goodwill	698	1,148
Impairment losses	14	30
Loss (gain) on extinguishment of tie-in shares	165	—
Increase (decrease) in provisions for office relocation costs	218	—
Increase (decrease) in allowance for doubtful accounts	(57)	(21)
Increase (decrease) in reserve for employees' bonuses	(502)	(878)
Increase (decrease) in allowance for early subscription cancellations	(91)	(11)
Increase (decrease) in allowance for employees' retirement benefits	(22)	(150)
Interest and dividend income	(8)	(8)
Interest expenses	171	203
Loss (gain) on sales of fixed assets	(3)	(1)
Loss on removal of fixed assets	18	10
Unrealized loss (gain) from investment securities	57	—
Loss on valuation of golf club memberships	2	—
Decrease (increase) in trade receivable	15,049	8,829
Decrease (increase) in accounts receivable – other	3,869	2,627
Decrease (increase) in inventories	1,242	(825)
Increase (decrease) in trade payable	(10,501)	(6,475)
Increase (decrease) in other accounts payable	(2,456)	(2,276)
Others	(651)	794
Subtotal	14,069	14,580
Interests and dividends received	9	8
Interests paid	(140)	(216)
Income taxes paid	(4,328)	(7,785)
Net cash provided by operating activities	9,609	6,587
Cash Flows from Investing Activities		
Payment for purchase of property, plant and equipment	(448)	(753)
Proceeds from sales of property, plant and equipment	32	18
Payment for purchase of software	(77)	(221)
Payment for loans receivable	(91)	(0)
Proceeds from collection of loans receivable	18	108
Payment for loans to affiliates	10	—
Payment for leasehold deposits	(1,044)	(170)
Proceeds from return of leasehold deposits	189	439
Payments for business transfer	(210)	—
Others	(29)	(92)
Net cash used in investing activities	(1,650)	(672)

(Millions of yen)

	3Q FY2009 (from April 1, 2008 to December 31, 2008)	3Q FY2010 (from April 1, 2009 to December 31, 2009)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term loans payable	1,500	300
Expenses for repayment of long-term loans payable	(250)	(4,496)
Expenses for purchase of treasury shares	(4,890)	—
Cash dividends paid	(1,494)	(3,068)
Others	—	0
Net cash used in financing activities	(5,134)	(7,264)
Increase (Decrease) in Cash and Cash Equivalents	2,824	(1,349)
Cash and Cash Equivalents at Beginning of Period	1,089	2,690
Increase in Cash and Cash Equivalents Resulting from Merger	951	—
Cash and Cash Equivalents at End of Period	4,865	1,341

- (4) Notes on Going Concern Assumption
Not applicable.
- (5) Notes on Significant Changes in Shareholders' Equity
Not applicable.

6. Other Information

(1) Net sales and operating income by business segment

(Millions of yen)

		3Q FY 2009 (from April 1, 2008 to December 31, 2008)	3Q FY 2010 (from April 1, 2009 to December 31, 2009)	YoY change (%)
Mobile Telecommunications Business	Net sales	239,079	353,247	47.8
	Operating income	5,110	7,948	55.5
Network Communications Business	Net sales	10,230	15,694	53.4
	Operating income	1,550	2,368	52.8
Prepaid Settlement Services Business and Other Business	Net sales	25,983	39,973	53.8
	Operating income	422	428	1.5
Total	Net sales	275,294	408,915	48.5
	Operating income	7,083	10,746	51.7

Note: During the first quarter period under review, there was a change of name in business segments. Since last fiscal year, settlement services for PIN (Personal Identification Number)-based merchandise sales systems and prepaid mobile phones were grouped as Settlement Services Business and Other Business, for which a new segment was established. To indicate more clearly the business content, the name was altered to Prepaid Settlement Services Business and Other Business.
This change affects only the name and not the scope of the segment.